

**MINUTES OF REGULAR MEETING
OPEN SESSION
ILLINOIS GAMING BOARD
February 21, 2007
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Wednesday, February 21, 2007 a Regular Meeting of the Illinois Gaming Board ("Board") was held in the conference room of the Crowne Plaza Hotel on the 3rd floor in Springfield, Illinois for closed session.

The following Board Members were present: Chairman Aaron Jaffe, Members Charles Gardner, Joseph Moore, James Sullivan and Eugene Winkler.

At 9:35 a.m. on Wednesday, February 21, 2007 Chairman Jaffe called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (11), and (14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Pending Litigation and matters involving probable litigation;**
- 3. Investigations concerning applicants and licensees; and**
- 4. Personal matters.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The Board remained in Closed Session until approximately 1:10 p.m. The Board went into Open Session at 1:10 p.m. At 4:27 p.m. the Board reconvened into closed session.

BOARD MEMBER'S COMMENTS -

Member Winkler addressed Michael Crider General Manager of Metropolis, in reference to minority hiring. Member Winkler stated that the Board felt that the two General Managers of Harrah's were stonewalling the issue. Minority hiring is an issue. He went on the state that Metropolis' charitable giving needed to be better. Michael Crider referenced the charitable giving and stated that not all of the information was available at the time the report was drafted.

The Charitable contributions did not include a contribution to a Woman's shelter nor did they count the "hero hours" that staff completed. Also, \$30,000 was raised in "relay for life". More numbers will be supplied at a later date.

Member Moore stated that the Urban League supplies job counseling and referrals. He asked that Crider check with them for some ideas.

Member Gardner asked about the charitable contributions issue and asked if Harrah's donates money to other charitable causes not mentioned.

Michael Crider responded that a \$12,000 donation to a woman's shelter with a five-year commitment for a total of \$60,000 also was made. Crider referenced the "meals on wheels" volunteer program.

Member Gardner stated that on the year-end report none of the above was referenced. Crider stated that the organization is not aggressive enough in listing its charitable activities. Member Gardner stated that the employment statistics should not be centered just on Massac County, it goes all the way to Nashville. You should be comparing yourself to all of the area not just one particular county.

CHAIRMAN'S AND ADMINISTRATOR'S REPORT – The Administrator welcomed the Springfield staff and commented on a job well done. Mark reported on the meeting with the General Managers Mike Crider from Harrah's Metropolis and Joe Domenico of Harrah's Joliet. Mark stated that Jim Milne and his staff forwarded some preliminary plans as it pertains to the Rock Island project. Mark went on to thank Tom Monaghan and his staff for keeping us updated on the Casino Queen construction, which is on schedule. Mark also stated that the March Board meeting will be March 21, 2007 in Chicago.

The Chairman echoed Mark's comments about the Springfield staff. The Chairman also introduced Caleb Melamed for Self-Exclusion procedures and requirements for removal under Board Policy Items.

Mike Fries stated that Caleb is making a presentation on where we are with these proposed rules, and we will be happy to answer any questions. Mike stated that we will be looking for some direction from the Board as to three particular items that have to be resolved.

BOARD POLICY ITEMS –

During its September 12, 2006 open meeting, the Gaming Board approved a proposed rule relating to the board's self-exclusion program. The proposed rule was amendatory in nature, establishing needed standards and procedures governing removals of persons from the Self-Exclusion List, and clarifying various ambiguities in the language of the current self-exclusion rule. The 45-day First Notice period for the proposed rule began on October 13, 2006 and ended on November 26, 2006. The First Notice period is defined by statute as a period of notice to the general public, during which any person or organization may submit data, views, arguments, or comments, either orally or in writing, to the agency that has proposed the rule (in this case the Gaming Board).

The proposed rule is now ready to enter the Second Notice period. This period begins on the date that the proposal is received by the Joint Committee on Administrative Rules (JCAR), and lasts for 45 days, unless extended for an additional 45 days by agreement of the agency and JCAR. Once the Second Notice period begins, an agency can change a proposed rule only in response to objections or suggestions from JCAR.

Preliminary to submitting the proposed rule for Second Notice publication, the Gaming Board must evaluate all submissions by members of the public during the First Notice period. Based on these evaluations, the board may then make amendatory changes to the rule's language.

The board has received only one public comment on the proposed rule--an October 23, 2006 letter submitted by Mr. Tom Swoik on behalf of the Illinois Casino Gaming Association. Mr. Swoik's proposed changes are the following:

First, he proposes a reduction in the size of the self-exclusion zone. As currently drafted, the proposed rule provides that SEP enrollees shall be barred from "all riverboat gaming operations," with "riverboat gaming operations" defined to include not only the gaming areas themselves, but also all of an owner licensee's adjacent food, entertainment, shopping and hotel facilities.

Mr. Swoik recommends limiting the self-exclusion zone to the "gaming floor premises and turnstiles of a riverboat gaming operation." In defense of this more restricted self-exclusion zone, he writes that:

[T]he proposed change goes well beyond the intent of the State's Self-Exclusion Program if it prohibits an SEP enrollee from utilizing the non-gaming amenities offered by a licensee. An example of such an activity would be a wedding reception held in our banquet halls or ballrooms. These areas are not part of the "gaming floor." We believe the language in the proposed rules would prohibit self-excluded individuals from attending such activities. We believe that the original intent of the IGB Statewide Self-Exclusion Program was not directed at keeping SEP enrollees from utilizing the non-gaming amenities of the licensees, but was intended to keep SEP enrollees from coming back to a riverboat casino to gamble.

In connection with his discussion of the size of the self-exclusion zone, Mr. Swoik also notes "what may appear to be a conflicting position that some of our members take on this issue." He says that some owner licensees may wish to expand the size of the self-exclusion zone in conformity with their corporate policies to encompass their entire riverboat gaming operations. Staff takes note that, even under the more limited self-exclusion zone proposed by Mr. Swoik, the owner licensees would, as private property owners, be able to expand the exclusion zone to encompass their entire properties.

Mr. Swoik's second recommendation is an amendment to language in the proposed rule change that appears to require personnel of the owner licensees to conduct personal searches of SEP violators found on gaming premises. He states that "it was never the intent of this particular rule to allow such searches," and proposed amending the proposed rule's language to make clear that such searches by casino personnel are not permitted.

Mr. Swoik's final suggested change is a liability waiver for the owner licensees. As currently drafted, the proposed rule requires a person requesting removal from the self-exclusion list to provide the Administrator with:

A waiver of liability of the Board, its agents and the State of Illinois for any damages that may arise out of any act or omission committed by the person as a consequence of his or her removal from the Self-Exclusion List, including any monetary or other damages sustained in connection with the person's renewal of any gaming activities.

Mr. Swoik requests that the above waiver also include all owner licensees. As redrafted, the proposed rule would then provide for:

"A waiver of liability of the Board, its agents and the State of Illinois, **and a waiver of liability for all Licensees.**"

In defense of this proposed change, Mr. Swoik writes that:

Since the enrollee is asking for reinstatement and the Administrator and/or Board is making the decision to reinstate, and we have no involvement in the decision, the waiver of liability should include the Licensee. Further, under the circumstances, it is the Licensee that would have the largest potential exposure to suit from the enrollee.

Staff Responses

Chief counsel Michael Fries has distributed a copy of Mr. Swoik's letter to various senior staff and board attorneys for their comments. I will attempt to accurately summarize the staff comments with respect to each of the issues raised in the letter:

Staff reactions were divided on the letter's suggestion to limit the self-exclusion zone to the gaming premises and turnstiles. Some staff members supported the narrower exclusion zone (which includes only the gaming premises and turnstiles), for the reasons expressed by Mr. Swoik. Other staff members favored keeping the current, proposed language providing for the exclusion of SEP enrollees from all riverboat gaming operations, in their entirety. These staff members argued that SEP members who were present anywhere on casino properties might, as a result, have a greater propensity to gamble. It was also pointed out that the Grand Victoria Casino has a cage in the pavilion, well outside the turnstile area, where checks can be cashed, and vouchers redeemed. I would also note that, when asked at a dockside supervisors' meeting held at the Par-A-Dice Casino (on November 1 and 2, 2006), the dockside supervisors were all in agreement that the self-exclusion zone should encompass the entire riverboat gaming operations.

Concerning Mr. Swoik's second point relating to personal searches, it is the position of staff that personnel of the owner licensees should not conduct personal searches, and that the language of

the proposed rule should be amended accordingly to make this clear. Personal searches by casino personnel are not allowed under the current rule, and it was never the intent of the proposed rule change to authorize them.

Staff does not support Mr. Swoik's suggestion that the liability waiver, signed by persons seeking removal from the SEP list, should be applicable to the licensees. There appears no need for such a waiver, as new Section 3000.786 (a) of the proposed rule provides that:

Each owner and manager licensee shall establish its own policies and procedures for allowing or disallowing any person removed from the Self-Exclusion List to enter or game on its riverboat gaming operation subsequent to the person's removal from the Self-Exclusion List. The policies and procedures of owner and manager licensees developed in compliance with this Section shall not be subject to appeal under this Part.

Thus, if an owner licensee is concerned about its potential liability to persons removed from the self-exclusion list, it can simply bar these persons from entry from its properties... In addition, it is extremely doubtful whether the board could legally grant such a liability waiver. The power to grant liability waivers for private parties rests with the Illinois General Assembly rather than administrative boards such as the Gaming Board.

Chairman stated that taking the issues one by one and discussing them; first one being the limit of the zone. Staff has been divided on this issue. Member Winkler stated that the policy now states the pool zone. Mike stated that the zone would include the entire gaming operation. Currently the rules are mixed from the way they were originally drafted. Some rules refer to the gaming area, some rules are broader. At a minimum the rules need to be clarified so there is uniformity.

Member Winkler asked if there was any way or method that can encompass all nine casinos, because of the different configurations of the buildings? Each one unique in their own way. It would be different for each casino. Mike agreed that each facility is designed differently. Member Winkler stated that it would be difficult to draft a rule to encompass all casinos without their being some difficulty for self excluded persons being a reception. Mike agreed that Mr. Swoik's comments were geared toward a smaller zone, one way to achieve that would be to have the zone be encompassed by the admission turn-style. All areas within the admission turn-style. Some are located right at the entrance to the casino area, some are at the entrance to the pavilion.

Caleb went on to state the basic policy question here is in favor of broadening the self exclusion are to encompass the entire casino properties. The argument in favor of that is if you make the exclusion area smaller then SEP enrollees who attend the properties they see the gaming area, they may have a greater propensity to gamble. The argument in favor of a more limited which encompasses the gaming areas and turn-styles is that the argument posed by Tom Swoik is that these are hotel properties, they have receptions, banquets, etc. they are not related to gaming.

Tom Swoik stated that the rule is so restricted that technically speaking is that if you held a meeting at one of the casinos, we would have to check the identification of every person entering the casino under 30 years old to make sure that they were not on the SEP list. The same thing with diversity conferences anything that would be open to the general public would have to be restricted by checking for identifications. The past few years there have been numerous attempts at legislation and even some pushing on both Gaming Board's part and some legislatures part to discuss that the casinos expand their facilities to make them more than just a casino; to add a hotel, add shopping, and to have more non casino type jobs. Bowling alleys, golf courses, and entertainment type compound. By restricting this to the gaming floor you are making the whole facility restricted.

Member Gardner asked if Tom suggested that a golf course is not a gaming facility.

Gene O'Shea stated there are ways to work this out. He received an email from Rance Robinson the docksite supervisor from the Empress, a high school football coach wanted to attend a coaching seminar at the Empress, and was a self excluded person therefore he would not be able to go. Rance and Gene talked about it and agreed that he should be allowed to go since it was part of his job; the coach realizing that he was unable to go into any of the gaming areas. Each situation is unique.

Tome Swoik stated that the check cashing area is outside of the casino floor and all are check against the self exclusion list before the check is cashed.

Member Gardner stated that regardless of where the limits are established, if the facility is doing check cashing at the hotel desk, they should be checking it against the SEP list. Member Gardner believes that there is a consistency issue here that can help decide this. The idea of all patrons identifying themselves with ID's and clearly the place where they would do that is at the turn-styles. The goal here would be to check the ID's of all prospective players before they get into the facility, these limits would be established at the turn-styles.

The Chairman stated that he felt that this was a good idea. Tom stated that as indicated in the past the things that are being done now have improved the SEP program and will continue to operate in that manner. As indicated before, there still is very serious concerns about restricting individuals in areas of the casino or requiring them to give identification when none of the casinos in the bordering states are doing that. There would be a 15%-20% in revenues if in fact we were required to card every individual that enters the casino. We are still talking about 15M admissions a year and 4,000 people being on the SEP list. The responsibility still lies on the individual who signed up for the SEP list.

Member Gardner stated with regard to the second point he is not quite sure that Caleb touched on it, it is clear to Member Gardner that regardless of where the limits are set, the facilities are able to expand those limits. If a restricted limit would be set, that is restricted inside the turn-styles but beyond that you are not restricted, it is clear that the casinos themselves are allowed to expand that area. The Board is perfectly comfortable with the casinos being more restrictive.

Caleb stated that point two is basically an inadvertent error in drafting. The word “or” was put in the wrong place; seemingly requiring personal searches by casino personal of SEP violators found on the gaming floor. This was never the Gaming Board’s intent and this would merely involve the word “or” backwards about four words.

Mike Fries stated that it is to clarify that there isn’t an expectation by the Gaming Board of the owner licensees to conduct personal searches of self excluded persons that are apprehended on the property. It does not have anything to do with the Gaming Board’s or any other law enforcement agencies’ ability to conduct a search incident to arrest. It is to clarify that the expectation is not there for the owner licensee.

The liability waiver for the owner licensee, right now extends to the State of Illinois, this would extend it to the owner licensees. The Chairman stated that we have no jurisdiction at all. We cannot give a waiver of liability; that would be up to the legislature to act in that regard.

Caleb stated that the liability waiver for the State already exists under “Sovereign Immunity” and this would be creating a new immunity from liability that an administrative board such as the Gaming Board has no legal authority to do so, it has to be enacted by the General Assembly.

Member Gardner stated that he finds no reason not to insert the language that the industry is asking for in the document that we are asking the gamers to sign. He agrees that it may do no good to anybody but if it can prevent each casino from requiring the SEP person from having to sign a separate form at each casino because the industry will agree that including this language in our form satisfies them then I think we should do that.

Mike Fries stated that he disagrees respectfully that the Board does not have the legal authority to grant a waiver or immunity; only the legislature could do that. Mike pointed out that the waiver that is presently in there is intended because it is the Board that is taking the action to remove the person from the list. It is not the licensee that is actually taking the action to do so.

The Chairman stated that the problem that he has is that he does not like to pass things that we cannot enforce. The truth of the matter is that if we have something that has a waiver and we don’t have the ability to do that; that can be knocked out by the courts. Whereas the Chairman sympathizes with feelings, we cannot grant waivers according to the law.

Mike Fries stated that as a point of clarification perhaps we can do a roll call on the question of whether or not the Board wishes to revise the proposed rule 786 to include waiver for the owner licensees as well. This way we would have a record of the Board’s wishes.

The Chairman stated that he does not believe that we can have a waiver and he will not vote for anything that is useless. Member Gardner voted with the Chairman. Member Moore voted the same, as did Member Sullivan. Member Winkler stated no change also.

Mike Fries stated that he was asking the Board to entertain a motion to allow staff to file second notice with JCAR and upon adoption of the approved rules we be allowed to publish them with

the Secretary of State provided that there are no significant or material changes to those rules in the second notice process.

Member Gardner asked how the first issue is settled. Mike Fries stated that based upon the discussion; it is our understanding that there is a consensus to limit it to the turn-style area but why don't we make a record of that. The question would be, does the Board wish to revise the proposed rules in order to reduce the self exclusion zone from what is currently proposed as the entire gaming operation to a smaller zone that includes the admission turn-styles. Currently as drafted it is the entire riverboat gaming operation; the question on the table is whether or not we revise the proposed rules so that it is a smaller zone; within the admission turn-style area as opposed to the whole riverboat gaming operation. The Chairman stated that maybe the larger zone is too large.

Member Moore asked that in reference to reducing the area could it be considered to those areas that are Board meeting rooms and banquet facilities versus just the gaming floor itself. Could there be some type of compromise.

Fries stated that each casino is designed differently and that could lead to a great deal of confusion. Right now the two clearest standards that we have are the entire operation or within the turn-style area, that is a clearly defined area that is in each property's internal controls.

Chairman Jaffe stated that he likes Member Gardner's proposal that we make it smaller, then let us exclude people by identifying them with a driver's license or something to that effect.

Fries asked if there were any questions in reference to the zone exclusion area.

Member Gardner asked if a resolution were to pass that states that the area of the turn-style would be limited but licensees would be expected to identify people at entrances, does the industry have a chance to comment on the rule? Fries stated that it should be offered to the industry to comment on.

Member Gardner proposed that as a motion that the Board establish the limits of the SEP to inside the turn-styles provided that the licensees check ID's at the turn-styles of all potential gamers.

Caleb stated that it could also be drafted in the alternative, if there is no universal check of ID's then its the entire riverboat gaming operation. If there is a check of everyone then it is limited to the turn-styles.

Fries added that he thinks there might be some confusion in a couple different items. What is on the table right now, is whether or not the rule as proposed gets changed so that there is a different definition. Fries suggested that we can make the decision on the item that be discussed at a different time. Fries stated that we can't tie one to the other today.

Chairman Jaffe stated that he would be in favor of accepting the larger area today, and we will talk to the industry later concerning another rule.

Fries stated that he then would need to ask for some clarification by each of the Board members as to the question as to direction whether or not the staff is being advised to revise the rule to limit or reduce the self exclusion zone or should we keep it as currently drafted. The current draft applies to the entire riverboat gambling operation. Chairman Jaffe stated that he would want it to apply to the entire operation, the Chairman said that he thinks the Board and staff could talk to the industry at a later time, that has nothing to do with the motion.

Member Moore stated that if we restrict the entire operation does that include the parking lot for the SUV's and other facilities associated with it such as the hotels. Fries stated that the riverboat gaming operation is defined in the rules, it is included; it speaks of the riverboat and its support facilities. Unfortunately support facilities is not defined.

Member Moore asked that Mike Fries clarify that last point about restricting everyone from the entire facility inside and out; Caleb stated that he was not sure if that was something you would want to do with this rule because it is really extending to a completely different topic. You could make this a smaller exclusion zone contingent upon checking everyone's ID that enters the gaming area.

Mike Fries stated that he mis-spoke, he was looking at the wrong definition; the support facility is defined as also including the parking facility.

Member Gardner stated that the current rule is inconsistent; the people that signed up for the SEP list; what do they think that they are excluded from? What does their application say? The entire facility. Mike stated that just for the record, the support facilities includes without limitation riverboats, offices, docking facilities, parking facilities and land based hotels or restaurants.

Swoik stated that another option potentially and we had talked about doing this in the submission of our letter and honestly he didn't believe that he addressed it in the letter but another way of handling this is changing the definition of a casino facility to include the gambling portion so that you don't include hotels and other things that Fries alluded to. If that was changed it would still mean that there would be restrictions on ball rooms, restaurants, and those kind of things that are outside of the gambling facility. Swoik stated that he did not know how many people that this effects, but again you are limiting individuals being able to attend that entertainment venue for other purposes other than gaming. Gaming Board meetings and those kind of things unless you provide a waiver when anything like that has happened. Swoik stated that he believed that more individuals attended those kind of events than the number of people that you have on the SEP list. You are penalizing the non SEP individuals.

Member Moore asked how many people on the SEP list would like to come to a gaming facility for the purpose of attending a meeting or having lunch. Swoik stated that he did not know what the answer to that is.

Member Gardner stated that if we adopt a rule as stated that SEP's are excluded from the entire facility that has nothing to do with people who are not SEP's. They can come anywhere they

want at any time, and how often. Swoik stated that his point was that if in fact the restriction is on the gaming floor once you enter the turn-styles, if the restrictions is limited to that; then anybody can attend anything going on at any other part of the facility.

Member Winkler stated that since we did not know if the person does not go through the turn-style say that person is attending a wedding reception or meeting or a diversity fair, whatever, that person does not go through the turn-style; we do not know whether or not that person is on the SEP list. Swoik stated that is right, but if in fact the entire facility is restricted, then it is put on us to determine whether or not that person is a SEP individual or not. Member Winkler asked what if everyone who went through the turn-style was identified? Swoik stated that is another issue that we worked on and a compromise was reached, doing a lot more things than we were doing then. In order to make that change on a moment's notice is fairly significant. That is going to have a lot of long lasting effects on the revenues of the casinos. Member Winkler asked in what way this would effect the revenues. Swoik stated that we were checking people that appeared to be under 30 for the age requirement, and the boats have made more progress on reviewing who is on that list and watching for people. To check every person's ID restricts the entrance of that casino over a period of time significantly; and once again you don't have to do it in Indiana. We are looking at market sharing again.

Member Gardner asked that if we were to approve that motion is it not the case, if we as a group do not want to change the rule as proposed; Mike stated then it stands as is. Member Gardner stated that we then can pass the motion right back. Mike stated that the rules as they now stand are as they were proposed. Staff is just looking for direction from the board as to whether or not there should be an amendment. Member Gardner commented that the SEP people have excluded themselves from the entire facility. Gene O'Shea stated that the docksite supervisors, the people in the trenches are telling you that they wanted it to be the entire facility. The people that signed the form think they are excluded from the entire facility.

Fries stated that only compromise that could be contemplated by the Board would be to exclude support facilities in the Rule. Exclude it from the Riverboat Gaming operation, except for the support facilities. We are not advocating that but it is something the Board should consider.

Member Winkler moved that this matter be tabled until the March meeting. Chairman Jaffe agreed.

PUBLIC COMMENTARY – Tom Grey

Tom Grey addressed the Board. He stated that it is a welcome to see a regulatory body has interaction with issues. He stated that he would like to put in perspective the finances; Harrah's spent \$20M to lose \$63M - \$38M in Rhode Island to establish a casino. Whenever you are talking about money that casinos give, I want you to know how much they spend to increase their markets and to get in places. He went on to state that they were able to win 3 statewide referendums all with votes of 58% to 63%. What was said back in July that he thinks the future looks good for those people that are saying enough is enough, the track record holds whenever we put it on a ballot. Lou Lang has other ideas and Illinois is not a place that will ever vote on gambling. He stated that he made the long trip to Springfield because essentially Illinois has

what he considers to be a tremendous important decision before you, based on what happened in 1999. In 1999 a special meeting was called so that a sale of the Joliet Empress could be transacted. It was set to meet a deadline of the sellers of the Empress. The Board went into a special meeting, they voted, and at that moment what happened was they had voted a split decision to approve a sale that staff did not recommend. Since that time, the Board was relatively inoculated from the type of political pressure that you face in Illinois. From that point the media scrutiny was heavy, the public started to participate by coming to meetings, and the Board was able to operate in a truly independent, transparent and open manner. What you are faced with now is a similar situation in that there has been a deadline established and Member Gardner raised the question that the Board is not going to move by the cadence of the casino, but the Board will do their due diligence with your staff investigations. Grey went on to state that he believes that the public wants this to happen. It is important that you maintain the sense that this is not done for the convenience of the people you regulate but done on behalf of the process itself.

Secondly, there is a way of saying that you play one state against the other to get what you want. If Iowa has docksite gambling, then Illinois has to have docksite. Indiana did not have docksite, Illinois went with docksite. It is ok if Illinois has stricter standards than everyone else. Let them meet your standards. Missouri was not noted for its toughness. It had some scandals there that were pretty apparent in terms of Board members caught in transactions and certain deals. Columbia Sussex was told that Missouri staff would recommend non-suitability. As a result, their application was withdrawn. It was not voted on. Casino Watchers are watching what you do in the same way as we watched what Indiana did when you disapproved Jack Binion. Jack walked over to Indiana and said you can throw me out, but Indiana will take me. Tom Grey stated that all he is asking is take your time, do a thorough investigation, turn over the rocks and see what's going on. Make decisions based on what is good for the citizens of Illinois, not what is good for the casino owners who are expediting the sale. Hold that high ground.

The Chairman stated that Anita Bedell gave us the same speech a month ago, only you did it a little bit nicer than she did. The Chairman stated we are not exactly rushing on this it has been only 8 months since they agreed to sell and we are not complete yet.

OWNER LICENSEE ITEMS –

- a. Items for Initial Consideration –
 - Acquisition of Harrah's Joliet and Harrah's Metropolis by Apollo Management and TPG Capital

Martha Sabol addressed the Board, representing Apollo and TPG. She went on to ask for initial consideration for the acquisition of Harrah's Joliet and Harrah's Metropolis. She went on to state that there is a brief presentation summarizing the transaction and an introduction both to Apollo and TPG and some of their key principals.

Jonathan Hawkyard – CFO – Harrah's

Jonathan addressed the Board, chief financial officer of Harrah's Entertainment. He introduced his colleagues joining here today. Member Gardner asked if a list was being supplied as to the names of the presenters. Jonathan agreed to produce one.

Frank Schreck – outside regulatory counsel to Texas Pacific Group and Apollo

Jeff Benjamin – partner with Apollo Management

Michael Kohen – vice president and associate general counsel to Harrah's

Susanne Kemp – Texas Pacific Group

Kelvin Davis – partner with Texas Pacific Group

Joe Domenico – regional president and general manager of Harrah's Joliet

Michael Crider – general manager at Harrah's Metropolis

Jonathan addressed the Board, and he stated that he was here to represent Harrah's and the management team and employees. He also stated that they are very excited about the transaction. Harrah's has been working with Apollo and Texas Pacific Group for about 8 months. Harrah's is viewing this as a change in ownership of the company and not in the strategic direction or management of the business. Gary Loveman, Michael Kohen, Jonathan and senior operators are committed to staying with the company to continue in its growth. The code of commitment which is the commitment to guests, employees and the communities in which operation is conducted remains central to all that is done in the company.

Chairman Jaffe asked if he can inquire about one thing: the Loveman group will still be active in this organization, and the Chairman then asked what the group's role will be after the acquisition. Jonathan replies that Gary Loveman will remain chief executive and chairman of the Board, Jonathan will remain chief financial officer, Carlos Tolosa, division president for the eastern division along with Mike and Joe with oversight of these businesses. The Chairman asked if that is in writing. Jonathan gave his perspective on it. There is no management arrangement in place. It is certainly the intention to do so. Apollo and Texas Pacific are financial sponsors and not managers of casino enterprises. The quality of our management team and our track record was what attracted them to our business. The Chairman stated that he would be very anxious as to what arrangements are made with them. Member Gardner asked if there was an employment contract with Harrah's. Jonathan stated that there was one in place and will be honored. There will come a time when an agreement will be in place. Jonathan stated that senior managers set strategic direction of the company, the ones that run the company are the supervisors and managers at the front desks, the slot department, valet, they are the ones that make a difference to the guests day in and day out.

These firms are blue chip firms in what they do. They have a very long and distinguished track record as investors and as stewards in companies.

Kelvin Davis – Texas Pacific – Mr. Davis addressed the Board next. He addressed the company's interest, having stated that they plan on the continuation of the present leadership. There will be employment agreements in place. He stated that he is a senior partner. An introduction was given as to the structure; often referred to as the private equity industry. Investors working on behalf of their limited partners. Limited partners are predominately public and private pension funds and other institutional investors around American and overseas. On

their behalf the company acts as stewards of their capital in search of finding investment value can be built on over the long term. TPG is now investing its fifth fund. Apollo is investing its sixth fund. TPG raised its first fund in 1993 and over 80% of investors in that fund are presently with us. We find investments around the world that are worthy of the capital and produce returns over a period of time that are attractive. We also invest our own money as well. TPG was founded in 1992, the first significant transaction was the re-capitalization of Continental Airlines out of bankruptcy. Now our operations span both in North America as well as Europe and Asia where we have been for over 10 years. We employ 125 investment professionals across the world. Included in these investments has been significant regulatory oversight. We have invested in insurance companies, financial institutions, satellite providers, and radio and media properties.

Jeff Benjamin – partner with Apollo Management

Apollo and TPG are very similar firms. Apollo was founded in 1990. Apollo's offices in New York, London and Los Angeles; having less of a global scope than TPG with focus more on the United States and Western Europe. Apollo has invested in a number of highly regulated industries, with experience in lodging and leisure.

In terms of specific regulatory activities of gaming, Jeff was on the Board of the Mandalay Resort Group for about 1 ½ years, prior to Mandalay's sale to MGM. Some of the companies that Apollo has owned: Samsonite, GNC, Serious Satellite Radio, Linens and Things, just examples of the companies.

Vail is one specific investment. Apollo took control of Vail in 1992 when the company was in the middle of a financial restructuring. When Apollo took control of Vail it was doing less than \$40M a year cash flow. Over the 14 year period, we did a number of things, we made many investments. They grew cash flow from \$40M to \$175M over the period.

Kelvin Davis –

Continental Airlines – one example of an extremely capital intensive business investing of capital and the commitment to the customer; value proposition that Continental offered helped resuscitate that airline after a notorious bankruptcy in the early 1990's. When TPG took control of the business we invested substantial capital in the business and today Continental is obviously thriving as a U.S. airline. Member Gardner corrected Davis when he referred to the companies as TPG and Colony. Davis corrected himself and stated TPG and Apollo.

The Chairman asked a question about the diagram; 100% voting interest no economic interest, then he sees to the left and it says non-voting economic interest. Aren't they the same. Davis referred it to Frank Schreck.

Frank Schreck – outside regulatory counsel for TPG and Apollo, coordinating licensing processes throughout the country and other parts of the world. We had met with staff approximately a month ago. The structure was created by myself and I have been practicing gaming law for the past 30 years. Prior to that was a member of the Nevada Gaming

Commission. The structure that has been created by Schreck has been approved in Iowa, Mississippi, New Jersey and Indiana. It has not been approved in Illinois, Missouri or Louisiana. The whole idea of the structure (see attached) is that at the end of the transaction there will be a surviving entity as a 1934 Act reporting company, filing 10-K's, 10-Q's, etc. There will be oversight from the federal government over this entity as there is today. There will be no publicly traded stock.

Harrah's operating company, owns all the operating companies including the two operating companies in Illinois. From Harrah's Entertainment down, there is no change, only change in ownership; which are limited partners through these funds and the Board of Directors of Harrah's Entertainment in which the Chairman will still be Loveman and the other members will be representatives of the two funds.

The structure itself was designed specifically for Nevada but also works uniquely in the other jurisdictions. The structure creates the issuance of two classes of shares. There is class "A" which is the non-voting shares which contain all of the economics of the transaction. Those shares go into the funds. The diagram that is attached contains six big boxes, those are just holding companies that were created for the purpose of this transaction. Above them you will see the names of the funds that are actually the members of the owners of the shares that will be in those big boxes. Those funds were made up as we already discussed of limited partners that are pension funds, profit sharing funds, institutions, all large recognizable investors. None of the limited partners in an aggregated amount will have more than 5% of the economics of this transaction.

Member Gardner asked if Mr. Schreck could be a little more clear. The six boxes will have more than 5%. Schreck stated yes. Doesn't each box contain groups. Schreck stated yes.

Some of the limited partners want to get a larger investment in some of the investments that the funds actually make and so the co-investor boxes allow those limited partners to increase their investment in this particular transaction through these co-investments. All are large well-known institutions. When this is all done the co-investor decisions have not been made yet; the entities will be transparent and be presented to the Gaming Board staff for review. They will see everyone that is involved in this as a limited partner. There won't be anybody that staff will not be able to look at and see. Certainly the IGB will have regulatory jurisdiction over them.

Member Gardner asked if Harvard has an interest in TPG they could also have up to 5% through a co-investment. Schreck stated that none of the limited partners will have an aggregated amount over 5%. Member Gardner asked "no single entity will own as much as 5%?" Schreck stated that is correct.

Schreck went on to explain the chart. The whole purpose of this structure is not only to see the people that are going to vote Harrah's shares and license them but they are going to want to evaluate the people that control the funds. The people that are coming forward for licensing are actually the people that actually control the funds. You will see that in the organizational structure applications already filed. The individuals that control those funds are individuals who will be in front of the Gaming Board for licensing. The six main principals will have all the

voting shares and be licensed. They control Harrah's through their voting rights, many of them will be on the Board of Directors for Harrah's but also in their other hat control the funds.

Member Gardner stated that the six principals have a significant economic interest in those funds. Schreck stated most certainly they do. Member Gardner went on to say that is what is so confusing about this chart. The chart implies that the six people over at Harrah's who have all the voting interest have no economic interest. Schreck stated they have no economic interest through Hamlet, they do through the funds. Member Gardner stated that they are general partners in the funds and they have a significant economic interest. Schreck agreed. They will be the people in front of you for licensing.

Schreck referred to the handout on page 13. Comparing publicly traded entities with the private equity structure. Schreck stated that the private entity structure from a regulatory stand point is far better than a public company structures that the Board approved. Schreck stated that public shareholders that have less than 5% that are not licensed with limited partners that have less than 5% which you are now going to license. The public shareholder is someone you don't know who they are, where are their source of funds, they have a direct economic interest in the entity, they have a piece of common stock. They have voting rights. If they are industrious enough, a group of them can actually influence management. These are people that you haven't licensed. On the other side you have the private equity structure. The limited partners are transparent, you will be given a list of who they are, they will be recognizable. Some are the state teachers retirement funds, public employee retirement funds, they will be easily recognizable. Also you will know their source of funds. You will know the money is the cleanest money you could ever get into the gaming industry. These limited partners and by the fact there are management agreements, have no say whatsoever in the investment. They have no say, influence or control over management. They don't have a direct or indirect ownership in any of the assets. They only have an interest in the revenue stream that will go into the funds if the investment proves to be a success. From a regulatory standpoint, public shareholders will sell out when the economy starts getting bad, private equity on the other hand the only value they get is the appreciation of assets. If there is an economic down turn in the economy, they are not selling out; they can't. They have to increase the value of that asset for them to ever make any money.

Applications have been submitted by the end of last week. Also submitted were executive summaries. Five summaries in all. One of the transaction itself, capital and financial structure, organizational structure and one for each of the funds.

Member Gardner asked if the limited partners in each of the funds, have any ability to replace the general partners. Schreck stated "absolutely". Member Gardner went on to state their only recourse if they are not happy with what's going on is to not invest in the next fund. Secondly, Member Gardner asked if there is no ability for them to withdraw? Schreck stated, in very rare instances. Schreck stated in closing, the Board and staff's time is appreciated.

Chairman asked about the agreement with Loveman's group? Schreck stated that agreements between senior executive team and the sponsors that were put in place prior to closing, subject to the Board's review. Formal employment arrangements will be in place that will supercede those that are already existing. The Chairman stated that the Board is not in agreement that the

investigation will be done by the date that TPG and Apollo agreed to. Schreck stated that is understood.

Member Gardner stated that your anticipation is individual contracts with individual employees is that correct, not a contract with a management group that is comprised of Loveman and others and that they will run it, you are going to hire these people directly right? It was stated that the way it works, they are buying the company as it exists today, in the diagram the corporate entity and the operating company are remaining exactly the same. The firm will put in place the individual senior executive employment relationships prior to closing. That is the extent of it, that will be left to the management team as will be the running of the business day to day.

- Casino Queen – Third Amendment to Credit Agreement

Jeff Watson addressed the Board, General Counsel of Casino Queen along with Bob Barros, chief financial officer. Seeking initial consideration of the third amendment to the credit agreement with Wells Fargo Bank.

Member Gardner welcomed the men. He stated that this submission caught him by great surprise in that it appears to involve a significant increase in the cost of the expansion. Over the next thirty days he presumes that they will be working closely with the Gaming Board staff to clarify or correct how that came to be; what the changes are, who the extra money is going to? All those things that were looked at during the initial approval. Looking again maybe at a 25%-30% increase in the size of the project. Jeff Watson agreed that they would be able to do that. Also, please notice that they have worked with the Gaming Board staff step by step during the entire process. The amendment is not different than on-going conversations with senior staff; we will supply information to Doug Bybee.

Member Gardner noted that every month a nice little package comes from Casino Queen reporting the progress of the construction. Jeff Watson stated that construction is going according to schedule, the issues with the credit agreement really haven't effected the construction.

- Empress Casino – Request for Approval to Purchase Surveillance Equipment and Request to Waive the Two-Meeting Rule

Richard Vitale addressed the Board; he is in-house counsel for Argosy Gaming. Asking for consideration for the above. The cost will be in excess of \$1M.

Chairman Jaffe stated that as he understands there is no rush in regard to waiving the two-meeting rule.

Mike Fries stated that the staff continues to work with Mr. Baldacci on this as well as counsel. We are recommending that the Board takes this up for final action in March.

- b. Items for Final Action -

- Empress Casino – Request for Approval to Purchase Surveillance Equipment (If Two-Meeting Rule Waived)

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board deny Empress Casino's request to waive the two-meeting rule.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Grand Victoria Casino/MGM Mirage – Request for IGB Approval of Nevada Landing Partnership as a Subsidiary Guarantor

Based on a review of staff's investigation and recommendation, Member Gardner moved that, **pursuant to section 230(d) of the Board's Adopted Rules, to approve MGM's request for IGB approval of Nevada Landing Partnership as a Subsidiary Guarantor of the aggregate principal amount of \$750 Million of MGM's 7.625% Senior Notes due in 2017, which were sold by MGM on December 13, 2006 through private placement and delegate to the Administrator final approval of such transaction.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Harrah's Metropolis – Betty J. Harrod, Senior Internal Auditor – Level One

Member Gardner asked about Ms. Harrod's involvement in both properties. She stated that most of her time would be spent in Metropolis.

Based on a review of staff's investigation and recommendation, Member Sullivan moved that **the Board approve Betty J. Harrod, Level One Occupational Licensee in the position of Senior Internal Auditor at Harrah's Metropolis Casino and as a staff auditor for Harrah's Joliet Casino.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

- Harrah's Joliet – Patrick A. Macfarlane, Staff Auditor – Level One

Based on a review of staff's investigation and recommendation, Member Winkler moved that **the Board approve Patrick A. Macfarlane, Level One Occupational Licensee in the position of Staff Auditor at Harrah's Joliet Casino.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Harrah's Joliet – Amy Mansker, Senior Internal Auditor – Level One

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Amy Mansker, Level One Occupational Licensee in the position of Senior Internal Auditor at Harrah's Joliet Casino.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Par-A-Dice Casino – Rita Rogene Paullo, Director of Table Games – Level One

Based on a review of staff's investigation and recommendation, Member Gardner moved that **the Board approve Rita Rogene Paullo, Level One Occupational Licensee in the position of Director of Table Games at Par-A-Dice Casino.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Emerald Casino – License Renewal - SEE ATTACHED RESOLUTION

- Emerald Casino – License Renewal

RESOLUTION

Member Winkler offered the following resolution:

WHEREAS, Emerald Casino, Inc. (Emerald), formerly known as HP Inc., was initially granted an owner's license to conduct riverboat gaming cruises departing from East Dubuque, Illinois on July 9, 1992. The Illinois Gaming Board (Gaming Board) renewed Emerald's license in July 1995 and again in July 1996.

WHEREAS, on June 24, 1997, the Gaming Board voted not to renew Emerald's license and issued a Notice Of Denial on June 27, 1997. On July 2, 1997 Emerald requested an administrative hearing regarding the denial of its renewal application, and an Administrative Law Judge was appointed.

WHEREAS, on July 29, 1997, Emerald ceased all gaming operations.

WHEREAS, on May 5, 1999, the Administrative Law Judge recommended that the Gaming Board deny Emerald's application for renewal of its license.

WHEREAS, before the Gaming Board took final action on the denial of Emerald's 1997 renewal application, the Illinois General Assembly amended the Illinois Riverboat Gambling Act (the Act) by adding Section 11.2, which became effective June 25, 1999.

WHEREAS, on September 7, 1999, the Gaming Board declared the pending license renewal proceeding moot in light of the addition of Section 11.2 to the Act, and advised Emerald that it could file a new Application For Renewal Of Owner's License.

WHEREAS, Emerald filed with the Illinois Gaming Board an Application For Renewal Of Owner's License on September 24, 1999 (Renewal Application), and indicated its intention to relocate its license to the Village of Rosemont (Rosemont).

WHEREAS, on January 30, 2001, the Gaming Board voted to deny Emerald's Application For Renewal Of Owner's License and to issue a written notice of denial. On March 6, 2001, the Gaming Board issued a Notice Of Denial Of Emerald's Application For Renewal Of Owner's License, commencing Gaming Board Matter No. 01-01 (Renewal Proceeding). On March 13, 2001, Emerald filed a verified Request For Hearing in the Renewal Proceeding.

WHEREAS, on January 30, 2001, the Gaming Board voted to issue a disciplinary complaint against Emerald seeking the revocation of its license. On March 6, 2001, the Gaming Board issued a five-count Complaint For Disciplinary Action seeking revocation of Emerald's license, commencing Gaming Board Matter No. DC-01-05 (Revocation Proceeding). On March 26, 2001, Emerald filed a Verified Answer to the Complaint in the Revocation Proceeding.

WHEREAS, on May 21, 2001, Emerald filed a Complaint in the Circuit Court of Cook County in which it alleged that Section 11.2 of the Act imposed on the Gaming Board a mandatory duty to grant Emerald's September 24, 1999 application for renewal of its license and to approve relocation of its operations to Rosemont. The Circuit Court granted the Gaming Board's motion for summary judgment and denied Emerald's motion for summary judgment. On December 30, 2003, the Appellate Court issued its decision in Emerald Casino, Inc. v. Illinois Gaming Board, 346 Ill. App. 3d 18 (1st Dist. 2003) (Emerald I). Emerald I reversed the Circuit Court, concluded that the Gaming Board's interpretation of Section 11.2 of the Act was reasonable but incorrect, and held that Section 11.2 of the Act imposed on the Gaming Board a mandatory duty to grant Emerald's September 24, 1999 Application For Renewal Of Owner's License. Emerald I also noted that the Gaming Board had begun proceedings to revoke Emerald's license in 2001, held that, in passing Section 11.2, "the legislature did not intend to tinker with the Board's authority to revoke Emerald's license," and further held that "[n]othing in section 11.2(a) prevents the Board from moving to revoke Emerald's license."

WHEREAS, on June 9, 2005, the Circuit Court, on remand from Emerald I, directed the Gaming Board to grant Emerald's September 24, 1999 Application For Renewal Of Owner's License.

WHEREAS, on June 29, 2005 the Gaming Board adopted a Resolution by which it granted "Emerald's September 24, 1999 Application For Renewal Of Owner's License, as of September 24, 1999, for a period of four (4) years"

WHEREAS, on September 22, 2005, the Illinois Supreme Court issued its decision in Crusius v. Illinois Gaming Board, 216 Ill. 2d 315 (2005) (Crusius). Crusius rejected a constitutional challenge to Section 11.2 of the Act, as interpreted in Emerald I. Crusius further held:

[Section 11.2] did not diminish the regulatory authority of the Board in any way. . . . If any riverboat gambling licensee, including Emerald, fails to comply with the Act's requirements, the Board has the authority to investigate and take appropriate disciplinary action. . . . The Act's license revocation provision still applies to Emerald with full force . . . , and revocation proceedings have, in fact, been initiated against it. Thus, regardless of Emerald's eligibility for license renewal

and relocation under section 11.2(a), if Emerald has failed to comply with the requirements of the Act, it could lose its riverboat gambling license in accordance with the Act's provisions, as is the case with any other licensee.

WHEREAS, on December 20, 2005 the Gaming Board unanimously issued a final administrative order in the Revocation Proceeding revoking Emerald's license (Revocation Order). On January 18, 2006, Emerald filed a petition pursuant to Section 17.1 of the Act for administrative review of the Revocation Order in the Appellate Court, pending as Case No. 4-06-0051 (Revocation Appeal).

WHEREAS, on June 13, 2006 the Appellate Court held in Emerald Casino, Inc. v. Illinois Gaming Board, 366 Ill. App. 3d 113 (1st Dist. 2006) (Emerald II) that the mandate in Emerald I required the Gaming Board to renew Emerald's license prospectively for a 4 year period, subject to revocation proceedings.

WHEREAS, on January 29, 2007 the circuit court, pursuant to the Appellate Court's mandate in Emerald II, entered an order stating: "Within 30 days of this Order, the Illinois Gaming Board shall issue Emerald's license for renewal and relocation, effective as of the date of the issuance and remaining in effect for four years, subject to revocation proceedings."

NOW, THEREFORE,

BE IT RESOLVED, that pursuant to the Appellate Court's decision in Emerald II and the Circuit Court's January 29, 2007 order on remand, Emerald's license is issued for renewal and relocation, effective as of this date and remaining in effect for four years, subject to revocation proceedings.

BE IT FURTHER RESOLVED, that this Resolution does not constitute a finding or adjudication by the Gaming Board on any matter, is not a waiver of, and is without prejudice to, the Gaming Board's rights or position in any other matter or proceeding, including without limitation the Revocation Order and the Revocation Appeal.

I move that the Gaming Board adopt this resolution.

SUPPLIER LICENSEE ITEM –

- Konami Gaming, Inc. – License Renewal

Member Gardner asked if there is a policy for representatives to appear. The Administrator stated that there was no policy. Chairman Jaffe stated that they should show up. Member Winkler suggested that the matter be deferred until the March, 2007 meeting. All agreed.

OCCUPATIONAL LICENSES APPROVAL & DENIALS – LEVEL 2's & 3's

Based on staff's investigation and recommendation, Member Moore **moved that the Board approve 37 applications for an Occupational License, Level 2, and 149 applications for an Occupational License, Level 3.**

Further, Member Moore moved that **the Board direct the Administrator to issue a Notice of Denial to the following individuals who received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut the recommendation.**

- 1. Carla Glass**
- 2. David Jones**
- 3. David Soria.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

PROPOSED COMPLAINTS AND DISCIPLINARY ACTION

- WMS Gaming Inc.

Bill Roberts counsel for WMS Gaming Inc. addressed the Board. Stated that they accept responsibility for WMS's actions.

Member Gardner thanks WMS Gaming Inc for all their cooperation.

Based on the staff's investigation and recommendation, Member Gardner moved that **the Board issue a Disciplinary Complaint against WMS Gaming Inc., based upon WMS's Gaming Inc.'s failure to timely and promptly disclose to the Board a deficiency in one of its electronic gaming device programs.**

Further, Member Gardner moved that **the Board impose a fine of \$25,000 on WMS Gaming Inc. Said action to take effect twenty-one days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by role call.

PERSONNEL – no motion

ADJOURNMENT

At 4:27 p.m. Member Gardner moved to reconvene into closed session to the third floor of the hotel. Member Sullivan seconded the motion.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator